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Chapter 8 – Miscellaneous Purchasing Requirements

8.1 Advances

An agency authorized to expend any monies on behalf of the State may have money advanced to it from the State Treasurer (**29 Del. C. §6520(a)**) to carry out provisions of the law requiring weekly payment of wages, to secure cash discounts whenever possible, and to pay necessary expenses incurred by any officials or employees when obliged to travel in the discharge of their duties.

The head of the agency desiring an advance must provide written certification, in duplicate, to the Secretary of Finance, detailing:

- The amount is needed;
- The funds are needed for immediate use; and
- The purpose for which the expenditure is required (as specifically as possible).

(**29 Del. C. §6520(b)**)

Within 30 days after the receipt of an advance, a detailed statement of the amounts expended must be made to the Secretary of Finance and the State Treasurer. (**29 Del. C. §6520(c)**)

Cash advances are processed using a regular PV. The advance must be coded to account code 54300, which is an "open item" account. Agencies need to balance the account back to zero (\$0) prior to year end.

Travel Advance

The State prefers agencies use the SuperCard for travel-related payments, rather than a cash advance. Employees who do not have the state travel card (SuperCard) may be advanced funds (cash advance) for official travel. The following policies are in effect regarding Travel Advances:

- A regular Payment Voucher (PV) is used to process the advance.
- Travel advances for \$5,000 or more are forwarded to DOA for approval.
- Travel advances will not be approved more than 30 days in advance of the date of travel.
- Travel advances must be reconciled within 30 days of the completion of the travel (**29 Del. C. §6520(c)**), otherwise the agency will be denied any additional travel advances.

8.2 Petty Cash

Petty cash may be used when acquiring and paying for small value purchases. Generally, the maximum authorization is not greater than \$2,000. However, amounts not exceeding \$5,000 for the agency as a whole may be requested where exceptional circumstances exist. (**29 Del. C. §6520(a)**)

8.2.1 Establishing a Petty Cash Fund

The approval process to establish a petty cash fund is two-fold. First, DOA must approve the establishment of the petty cash fund. Secondly, OST must approve the opening of the bank account. Agencies should use the following approval process to expedite requests for establishing new petty cash accounts.

1. A letter of request to establish a petty cash fund must be directed to DOF, DOA, providing justification for the need of an account, as well as the dollar amount of the fund. Agencies that intend to keep some of the fund in cash for the purposes of making cash purchases must include the specific amount intended for cash-on-hand. Generally, agencies keep \$50 or less for these purposes.
2. If approval is granted by DOA to establish an account, agencies must then complete a "Request to Open Bank Account" form and related documents. The form, related documents, and a copy of the DOA approval letter are then forwarded to OST for approval. For a copy of this form, agencies should refer to http://extranet.fsf.state.de.us/service_desk_forms.shtml.
3. If approval is granted by OST to open a petty cash account, agencies must forward the approved "Request to Open Bank Account" form to DOA. DOA will register the account in the FSF vendor table. At this time, the head of the agency requesting the account designates in writing to DOA an account custodian.

4. The agency prepares a Direct Claim PV in the amount of the approved petty cash fund and forwards the voucher, regardless of the amount, to DOA for processing. A check is then drafted on the State's vendor disbursement account, made payable to the petty cash fund, for deposit by the account custodian. Initial Petty Cash account fundings may also be executed using a direct deposit payment to the new account.

8.2.2 Petty Cash Payments & Account Management

The following policies are in effect with respect to petty cash payments and the management of petty cash accounts:

1. Petty cash checks are to be drawn in consecutive numerical order.
2. Petty cash checks must be signed by two employees of the agency.
3. The account custodian may not sign petty cash checks.
4. The account custodian is responsible for the preparation and reconciliation of petty cash payments.
5. The names and signatures of those persons authorized to sign petty cash checks must be on record with the Secretary of Finance. An agency or department may change an authorizing signature with the approval of the Secretary of Finance.
6. Payments of \$25 or less should be made out of petty cash funds.
7. Payments between \$25 and \$500 may be paid out of a petty cash fund or processed as a direct claim, at the option of the department or school.
8. No petty cash checks are to be drawn in excess of \$500.
9. Payments over \$500, but not exceeding \$5,000 are processed on payment voucher forms as direct claims.
10. Petty cash may not be used in any situation where a special approval is required.
11. All General Fund and Appropriated Special Fund petty cash checking accounts may remain open or be closed at the end of each fiscal year, at the agency's discretion.

NOTE: In the case of an agency with only one employee, only the signature of that employee is required, and that employee is also the custodian of the account.

8.2.3 Petty Cash Replenishments

Petty cash funds may be reimbursed, as often as necessary. To replenish a petty cash account, an agency should process a direct claim payment voucher, payable to the agency, supported by the following required documentation:

1. Expenditure totals by appropriation and account code;
2. A copy of the petty cash account bank statement; and
3. The supporting reconciliation documentation attached to the payment voucher.

If the payment voucher is for an amount in excess of \$5,000, it must be forwarded to DOA for processing. If approved by DOA, the voucher will be processed and the agency's petty cash account will be replenished through a direct deposit payment. If the payment voucher is not approved, it will be returned to the agency with an explanation.

Purchase order number references need to be included on the reimbursement payment voucher for charges to be made against regular (specific) and open order encumbrances on record in FSF. All receipts and supporting documentation must be retained externally by the agency for audit purposes.

8.3 Checks & Drafts

The standard method of generating a check is through FSF. When all approvals have been entered for a voucher, FSF will process the necessary check, as scheduled (generally, the next overnight batch job). Checks are then sent to OST for verification and signature (**29 Del. C. §6516(b)**).

8.3.1 Check Processing Requirements

The signing of a check or draft by the State Treasurer may either be by hand, using pen and ink, or by a check signing machine imprinting the facsimile signature of the State Treasurer (**29 Del. C. §2706(a)**).

All checks are drawn in consecutive numerical order (**29 Del. C. §6516(b)**). The Secretary of Finance will periodically verify that the State Treasurer has drawn no checks other than those accounted for as described in **29 Del. C. §6516**.

Checks or drafts issued by the State Treasurer will not be honored after the expiration of six months from the date of issuance. (**29 Del. C. §2706(b)**) The State processes manual warrant transactions, using Payment Vouchers to be paid by wire transfers.

8.3.2 Cancelled and Spoiled Checks

Any check that is written in error, or a check an agency has decided not to forward to a vendor, must be processed for cancellation through the OST. Agencies should obtain a Check Cancellation form from OST and forward to OST the completed form, a copy of the payment voucher, and, if available, the physical check. The Treasurer's Office will verify the check against the outstanding check list and will forward the verified check and forms to DOA for cancellation processing.

Cancelled checks may be processed to reduce an agency's expenditures, or cancellations may be processed to rewrite a new check without entries to the agency appropriation account. Checks that need to be replaced will have a new check number if the cancelled check was issued. If a check was never issued, (e.g. mangled during printing) the new check may have the same check number. Once a check has been issued, it may not be reprinted with the same check number.

A complete listing of all state forms can be found at
http://extranet.fsf.state.de.us/service_desk_forms.shtml.

NOTE: Contact the agency's PHRST representative for information regarding the processing of cancelled payroll checks.

8.4 Sale of State-Owned Materials and Trade-Ins

All equipment, supplies, vehicles, and materials purchased in whole or in part with state-appropriated funds are assets of the State and not of the individual agency. When equipment, supplies, vehicles, or materials are determined by an agency to be in excess of its needs, the agency should report the excess to OMB's GSS for reallocation to another agency or for disposal, using GSS's Excess Property Declaration Form.

The Delaware Surplus Services team within OMB's GSS is responsible for all federal and state surplus property programs for the State of Delaware. This program is responsible for declaring excess property, transferring excess property to another agency or fire company, removing excess property, and disposing of excess property.

In the event an agency decides to replace material in-kind (not excess material), the agency may "trade-in" such material on similar material (with the exception of vehicles), or it may sell the material and credit the receipt in accordance with **29 Del. C. §6102(c)**, **29 Del. C. §7002(e)**. Use the following guidelines to properly record the financial transactions associated with the trade-in:

- If the purchase precedes the sale, and the sale occurs in the same fiscal year as the purchase, the proceeds of the sale are not shown as revenue. The receipt should be recorded as a decrease in expenditures charged against the appropriation.
- If the sale precedes the purchase, and the sale occurs in the same fiscal year as the purchase, the proceeds must be coded as revenue to either the General Fund, or to the spending line of the Appropriated Special Fund.
 - Cash Receipts (CRs) should clearly indicate the receipt is intended as a reimbursement of a pending purchase.
 - When the purchase of the replacement material is made, the revenue may be recoded as an expenditure reduction.
 - Other (NSF) Special Funds may show the sale proceeds as revenue since these funds do not need legislative action to increase their appropriations.

NOTE: No reimbursement is allowed on a purchase made in a previous fiscal year. The receipt is treated as a revenue item.

Collections from the sale of vehicles and vehicle parts are credited to OMB's Office of Fleet Services, unless a non-General Fund authorization exists, requiring the proceeds of the disposal to be returned to the original source of funds (**29 Del. C. §6308A(m)(5)**).

DOF is responsible for the determination of the applicability and equity of in-kind replacements. Examples of an acceptable in-kind exchange are the replacement of a manual typewriter for an electric typewriter, or an adding machine for a calculator. An example of a non-acceptable in-kind exchange is the replacement of a typewriter with a calculator, mimeograph, photocopier, tape recorder, or dictating equipment.

Whether equipment, supplies, vehicles, or materials are "traded-in" or sold, an Equipment Reimbursement Form (ER1 Form) must be filed with and approved by DOF, on or before the date of the purchase or the sale, whichever is the earlier.

A complete listing of all state forms can be found at http://extranet.fsf.state.de.us/service_desk_forms.shtml.

Upon written request by the agency, OMB's GSS may sell or transfer such material within the State at a mutually agreed value (**29 Del. C. §7002 (a), (e)**). If material sold has a value in excess of \$100, it will be sold by public auction or competitive bids, unless GSS sells the material to another state agency.

8.5 Contracts

8.5.1 Fiscal Year

Contracts and agreements should coincide with the State's fiscal year, whenever possible. The fiscal year begins each year on July 1, and concludes on the following June 30 (**29 Del. C. §6507**).

Any agreement or contract which does not coincide with the State's fiscal year must contain a "funding out" clause, nullifying the State's obligations in the event of a reduction to an agency's appropriation. Following is an example of an acceptable "funding out" clause:

"If sufficient funds are not appropriated by the Delaware General Assembly, or other appropriate federal or state agency, to sustain in whole or in part the Department of _____'s performance under this agreement; or if such appropriation is reduced such that the amount of the appropriation is insufficient to sustain said performance; this agreement shall be null and void at the insistence of the Department of _____."

8.5.2 Non-Discrimination

Contracts involving the expenditure of state funds may only be awarded on condition of compliance with the State's equal opportunity laws. (**29 Del. C. §6519A**)

8.5.3 Purchase Orders Required

Any contracts signed prior to DOA's approval of the applicable purchase order must contain a clause to the effect that the contract is subject to the vendor's receipt of an approved purchase order. **The State will not be liable for any goods or services provided by the vendor prior to the receipt of an approved purchase order.**

8.5.4 Contract Documentation

Each agency and school must retain in their files all pertinent documents and correspondence relating to the contract bid process, in order that these supporting documents may be available for audit or review by a state official at all times. Documents are not to be kept at an architect's office, etc.

If a contract is awarded to a firm other than the lowest responsible and responsive bidder, the agency head must make a written determination of the reason or reasons for rejecting the bid (**29 Del. C. §6923(k)(2)**) to be kept in the agency files. **If a purchase is supported by a contract, the contract number must be listed on the requisition/purchase order/direct claim voucher.**

To establish a proper audit trail, agencies must assign a numerical control number to all agency contracts on a fiscal year basis. The numbering process must be in sequential order.

The contract naming and numbering scheme is found for commodities and services contracts in the bid solicitation process at the following link:
http://gss.omb.delaware.gov/contracting/documents/agency_solicitations_flowchart.pdf.

The naming convention is defined specifically in item 12 in the form:
http://gss.omb.delaware.gov/contracting/documents/agencyboilers/agency_solicitation_request_072009LCE.pdf.

The **Contract ID** consists of:

- Agency Code – an alphabetic code that may contain up to six characters. To view a listing of the applicable codes, agencies may click on the link:

http://gss.omb.delaware.gov/contracting/documents/agencyboilers/location_code_dept_grid.pdf

- A dash before the contract award year
- Last two digits of the contract award year (calendar year)
- 3-digit contract number
- Short description (10-digit alphabetic field)
- The last three characters are reserved for vendor sequence upon award. Contract ID can NOT exceed 25 characters, including the vendor sequence.

Example: GSS-09129PlumbsupplV01

For public works procurement contracts, the naming schematic is as follows:

- Project Costing Project ID – an alpha-numeric code that may contain up to 15 characters.
- Supplemental Agency-Defined Code – an alphabetic field that may contain up to 7 characters.
- Vendor Sequence Number – a 3-digit alpha-numeric sequential field.

**Examples: T200907301DESIGNV01
MJ7601000001SITEWRKV01
C9534EISENBRGESCONSRTV01**

8.6 Vendor Information

If a vendor has not previously done business with the State or changes to the vendor's data are needed, the vendor is responsible for properly registering or updating the vendor record through the State's automated Vendor W-9 process, which is accessible through the State's main website, www.accounting.delaware.gov.

After a vendor has supplied the new or changed information, the data will be forwarded to DOA for review and approval. Approved vendors are then added to the appropriate system tables, and the vendor may be selected to process requisitions, purchase orders, and vouchers. **Purchases may only be made using vendors who have completed vendor registration and have been approved by DOA.** Agencies should contact DOA for assistance or questions relating to vendor requirements.

Vendors must be set up and activated in the vendor table in order for the system to issue payments. This includes state employees, who must be set up in the vendor table. State employees must complete vendor set up through the State's website (without the W-9 requirements), and then, have the vendor status activated by central DOA personnel.

8.7 Tax Considerations

For the purposes of tax compliance, the DOA will give notice to the Division of Revenue (DOR) of payments made to any corporation or business association when the aggregate payments during a fiscal year exceed \$2000. **(30 Del. C. §305)**

8.7.1 Levies and Garnishments Against a Vendor

As the need arises, the Internal Revenue Service (IRS) and/or the State's DOR will send DOA a notice of a levy or a State of Delaware Tax Garnishment, in order to collect money owed by a taxpayer. These notices direct the agency to make checks payable to the vendor "in care of the IRS or DOR" with the appropriate IRS or DOR address. **A levy or garnishment cannot be removed until the Division of Accounting receives written release from the IRS or DOR.**

When entering a payment voucher to a vendor that has a levy or garnishment applied to their Taxpayer Identification Number (TIN), agencies may not add another suffix or omit the IRS or DOR name and address. A levy or garnishment requires the State to turn over all money obligated to the vendor or taxpayer. If a suffix is added and the money is sent directly to the individual, the agency will be responsible for retrieving the money to satisfy the levy or garnishment.

Vendor checks should not be returned to an agency in order to change the IRS or DOR name and address to the vendor's address. The bank will refuse to cash or deposit the check and will notify OST of the change.

Agencies should contact DOA regarding any questions concerning levies and garnishments.

8.7.2 Tax Exempt Certificate

The State of Delaware is exempt from paying federal excise tax. According to the IRS, the buyer (State of Delaware) is to provide to the seller (the vendor) a certificate with this information. These certificates are available from DOA.